

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-01 INR-05 L-02

LAB-01 NSAE-00 NSC-05 PA-01 RSC-01 AID-05 CIEP-01

SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 SWF-01 IO-10 /094 W

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R 222245Z NOV 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 8651

INFO AMEMBASSY CARACAS

AMEMBASSY GUATEMALA

AMEMBASSY TEGUCIGALPA

AMEMBASSY SAN SALVADOR

AMEMBASSY MANAGUA

AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY MEXICO

AMEMBASSY LONDON

AMCONSUL RIO DE JANEIRO

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E.O. 11652:1\*/A

TAGS: ETRD EAGR CS

SUBJECT: VENEZUELAN FUNDED COFFEE RETENTION SCHEME

REF: STATE 251168

1. AGATT AND ECONOFF CALLED NOVEMBER 22 ON DIRECTOR OF COSTA RICA'S COFFEE OFFICE, ALVARO JIMENEZ, TO DISCUSS NEW PRICE SUPPORT SYSTEM FOR "OTROS SUAVES" COFFEE WHICH IS TO BE FINANCED BY VENEZUELA. JIMENEZ ATTENDED THE CARACAS MEETING.

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2. JIMENEZ SAID THAT COSTA RICA'S SHARE OF THE \$80 MILLION FUND WILL BE \$12 MILLION. THE FUNDS CAN BE DRAWN DOWN AS NEEDED AND ARE TO BE REPAYED IN MARCH 1976. THE INTEREST RATE TO BE PAID WILL VARY BETWEEN 6 AND 10 PERCENT DEPENDING ON THE PRICE OF COFFEE, WITH THE LOWER RATE APPLICABLE AT A \$50 PER CWT COFFEE PRICE AND THE HIGHEST RATE AT A PRICE OF \$70. JIMENEZ SAID THAT VENEZUELA HAS ALSO "ROLLED OVER" THE \$20 MILLION LOAN MADE BY COSTA RICA THIS YEAR TO HELP OFFSET HIGHER OIL COSTS, AND WHICH OTHERWISE WOULD HAVE BEEN PAYABLE IN DECEMBER. THUS THE \$12 MILLION IS AN ADDITIONAL AVAILABILITY.

3. JIMENEZ SAID THAT THE MAIN IMPORTANCE OF THE VENEZUELAN FUND WILL BE IN STIMULATING CREATION AND FINANCING OF COFFEE RETENTION SCHEMES IN GUATEMALA AND HONDURAS.  
COSTA RICAN  
WHICH ALREADY HAS A PROGRAM OF FINANCING COFFEE RETENTION, WILL TREAT THE \$12 MILLION FROM VENEZUELA MAINLY AS GENERAL BALANCE OF PAYMENTS SUPPORT. SALVADOR WILL GET SPECIAL TREATMENT UNDER  
THE TERMS OF THE RETENTION SCHEME IN RECOGNITION OF ITS SACRIFICES THIS PAST YEAR IN FINANCING ITS OWN RETENTION PROGRAM. IT WILL BE PERMITTED TO EXPORT ITS FULL 1974-75 CROP PLUS SOME OF ITS PREVIOUS CROP BUILD-UP.

4. THE RATIONALE FOR 20 PERCENT RETENTION OF THIS YEAR'S COFFEE CROP WAS EXPLAINED IN DETAIL BY JIMENEZ. BASICALLY THE 20 PERCENT FIGURE RESULTS FROM AN ESTIMATE THAT WORLD DISAPPEARANCE OF COFFEE (55 MILLION BAGS) WILL BE 5 MILLION BAGS UNDER THE USDA PRODUCTION ESTIMATE (60 MILLION BAGS) AND THAT IMPORTING COUNTRIES HAVE EXCESSIVE STOCKS, WHICH AMOUNT TO 15 MILLION BAGS AND NEED TO BE DRAWN DOWN BY 7 MILLION BAGS TO A "NORMAL" LEVEL OF 8 MILLION BAGS.  
THE SUM OF THESE TWO FIGURES (5 PLUS 7 MILLION BAGS) REPRESENTS THE RETENTION TOTAL AND EQUALS AN ESTIMATED 20 PERCENT OF THE TOTAL 1974-75 CROPS AS ESTIMATED BY THE USDA.

5. JIMENEZ SERIOUSLY DOUBTS THAT THE ORGANIZATION TO BE ESTABLISHED TO ADMINISTER THE RETENTION SCHEME, SUAVES LIMITED OFFICIAL USE

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CENTRALES, S.A. WILL BE IN EXISTENCE BY DECEMBER 2, AS PREDICTED BY THE MEXICAN REPRESENTATIVES TO THE CARACAS MEETING. UNTIL IT DOES COME INTO BEING THE SCHEME WILL BE OPERATED BY THE INDIVIDUAL MEMBER COUNTRIES.  
LANE

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## Message Attributes

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**To:** STATE  
**Type:** TE  
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